

TALKING POINTS ON THE CBO REPORT ENTITLED: "CUMULATIVE EFFECTS OF THE ADMINISTRATION'S TAX AND TRANSFER PROPOSALS"

The CBO analysis is an unjustified measure of the effects of President Reagan's Economic Recovery Program because:

1. The CBO analysis is static; it looks only at the year 1982.
 - President Reagan's Program is dynamic in that it seeks to improve the standard of living for all Americans--including low income groups--over time.
2. The CBO analysis is incomplete. It looks only at President Reagan's budget and tax proposals.
 - President Reagan's Program is designed to dramatically reduce the rate of inflation and increase economic growth. In so doing, it will improve the standard of living of all Americans, including that of low income groups who suffer most from high inflation.
 - President Reagan's Program will increase the real income after taxes of families earning \$7,000 per year by an average of 2% per year between 1981 and 1984. If current policies are not changed, the real income of such families after taxes will decline 1.5% per year over the period.
 - High inflation means that low income families will pay 57% more in taxes than they would under low inflation conditions. Middle income families, on the other hand, pay 22.6% more in taxes under conditions of high inflation.
 - History shows that conditions of low economic growth, similar to what we have experienced over the last four years, tend to keep low income families in conditions of poverty and that high growth helps people raise themselves above the poverty level.
 - Between 1959 and 1969, when economic growth averaged 4.2%/year the percentage of families living below the poverty level fell nearly 50%--from 18.5% to 9.7% of all families.
 - Between 1969 and 1979, when economic growth averaged only 3.1%/year the percentage of families living below the poverty level declined only 6%, despite the proliferation of Federal programs.
 - For blacks, median family income (in 1979 dollars) grew from \$7,259 in 1959 to \$11,878 in 1969--a gain of 5%/year. From 1969 to 1979, median family income for blacks actually dropped to \$11,648, again, despite the proliferation of Federal programs.

- From 1959 to 1969, black unemployment fell from 10.7% to 6.4%, but, from 1969 to 1979 it increased from 6.4% to 11.3%. Relative to white unemployment, the black unemployment rate fell more in the 1960's and rose more in the 1970's.
3. Even if the CBO analysis was not static and incomplete, if fails to show that low income families would be seriously affected by the President's proposed budget reductions.
- Contrary to some interpretations, the real conclusion of the CBO study is that for 96% of low income families the safety net is secure.
 - 15% of the low income families actually gain from President Reagan's proposed budget.
 - 34% lose no benefits.
 - 47% maintain at least 95% of their current spendable income.
 - Stated differently, out of 16,505,000 in low income families studied by the CBO:
 - 15,860,000 families are protected by the President's social safety net.
 - 645,000 families are affected by the President's proposed reductions.
 - 379,000 of these 645,000 families are actually above the poverty level.
 - 266,000 of these 645,000 families are below the poverty level.